

Message Text

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ACTION EB-06

INFO OCT-01 EUR-08 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-05 NSAE-00 RSC-01 FAA-00 SSO-00 INRE-00

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C O N F I D E N T I A L THE HAGUE 5196

E.O. 11652: GDS

TAGS: EAIR, NL

SUBJECT: US-GON CIVAIR TALKS, OCTOBER 23

REF: HAGUE 5173

SUMMARY: CIVAIR TALKS CONTINUED INTO THIRD DAY WITH EXCHANGE OF DATA BETWEEN TWO DELEGATIONS. DUTCH CHAIRMAN ZWANENBERG EXPRESSED VIEW THAT GON HAS TRIED TO HAVE PRACTICAL DISCUSSIONS BUT SAID THAT WHAT US CONSIDERS REASONABLE CAPACITY FOR KLM OVER NEXT FEW YEARS IS TOTALLY UNREASONABLE. HE AGREED, HOWEVER, TO STUDY DATA PRESENTED BY US AND TO MEET AGAIN AT 0930 HOURS OCTOBER 24. IN MEANTIME, USDEL CHAIRMAN WALDMANN AND DCM HAVE BEEN ASKED TO MEET AT FOREIGN MINISTRY AT 1700 HOURS THIS EVENING WITH STATE SECRETARY BRINKHORST. (PRESS COMMENTARY REPORTED IN SEPTTEL.)
END SUMMARY.

1. THIRD DAY OF TALKS BEGAN AT 1115 HOURS WITH STATEMENT BY ZWANENBERG THAT KLM IS OPERATING IN FULL CONFORMITY WITH BILATERAL AGREEMENT AND THAT ONLY BASIS FOR REDUCING KLM CAPACITY WOULD BE TO DO SO IN RESPONSE TO CONDITION OF CARRIERS AND OF MARKET. HE SAID THAT KLM HAS ALREADY SHARPLY REDUCED
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CAPACITY PLANNED FOR NEXT FEW YEARS, THAT FURTHER REDUCTION

WOULD LEAD TO DIVERSION OF TRAFFIC TO OTHER EUROPEAN GATEWAYS, AND THAT GON FOUND KLM PLANNING REASONABLE FROM A COMPETITIVE AND COMMERCIAL STANDPOINT.

2. KLM VP WASSENBERGH THEN PRESENTED INFORMATION REQUESTED ON PREVIOUS DAY BY US DEL CHAIRMAN WALDMANN, SHOWING NUMBER OF SEATS PLANNED FOR '73-74, FOR PURPOSE OF COMPARISON WITH LATER YEARS FOR WHICH DATA HAD BEEN PROVIDED YESTERDAY. IN ADDITION WASSENBURGH PROVIDED ACTUAL PERCENTAGES OF TRAFFIC GROWTH FOR YEARS '73 AND '74 AND ESTIMATED FOR '75, '76 AND '77. FINALLY WASSENBURGH GAVE USDEL KLM PASSENGER LOAD FACTORS.

3. WALDMANN READ STATEMENT IN RESPONSE TO ZWANENBURG'S OPENING REMARKS, STRESSING INTEREST OF BOTH GOVERNMENTS IN REVIEWING SITUATION OF NORTH ATLANTIC AIRLINES FOR COMING YEARS. HE SAID THAT KLM PLANS TO OPERATE EXCESSIVE CAPACITY GIVEN NOT ONLY THE LIMITATIONS OF THE AGREEMENT BUT ALSO MARKET DEMAND UNDER WHICH ALL CARRIERS MUST OPERATE. HE CRITICIZED PROPOSED SCHEDULE FOR YEARS THROUGH '77 PROVIDED BY KLM AT YESTERDAY'S SESSION, NOTING THAT KLM WILL OPERATE FEWER SEATS IN NEAR FUTURE BUT THAT THERE WILL BE NO CHANGE IN QUALITY OF SERVICE OFFERED (FREQUENCY OF FLIGHTS, NUMBER OF WIDE BODIES). HE POINTED OUT THAT KLM PLANS FOR UPCOMING WINTER SEASON CALL FOR GREATER CAPACITY THAN THAT SCHEDULED TO BE OFFERED BY BRITISH AIRWAYS, ALITALIA, AIR FRANCE OR LUFTHANSA. ASSUMING REDUCTION IN TRAFFIC EVEN IN BEST CASE AS PUT FORWARD BY KLM, OPERATIONS OF DUTCH AIRLINE WILL SHOW LESS THAN 50 PERCENT LOAD FACTOR FOR COMING YEARS WHICH INDICATES SIGNIFICANT LOSSES. HE SAID THAT US RECOMMENDATIONS FOR KLM CAPACITY WOULD STILL LEAVE KLM WITH GREATER REVENUES THAN PAN AM AND WOULD IN FACT CUT BACK POTENTIAL KLM LOSSES.

4. WASSENBERGH CHALLENGED CONCLUSIONS US DREW FROM KLM DATA AND SAID THAT NEW FARE STRUCTURES WILL ELIMINATE LOSSES EVEN WITH KLM'S PLANNED CAPACITY.

5. ALLUDING TO SUBSTANTIAL SURPLUS US HAS IN TRADE WITH NETHERLANDS, ZWANENBURG EXPRESSED RELUCTANCE TO REVIEW OVERALL ECONOMIC SITUATION WHERE US EXPORTS MORE TO NETHERLANDS THAN IT IMPORTS. SAYING THAT HE WOULD RESTRICT HIMSELF TO ECONOMIC

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ACTIVITIES IN CIVIL AVIATION HE MADE POINT THAT NOT ONLY IN SERVICES RENDERED BUT IN AIRCRAFT PURCHASES FINANCIAL INTEREST OF US IN KLM SHOWS SURPLUS OF KLM PAYMENTS OVER REVENUES OF \$269 MILLION OVER PERIOD OF 10 YEARS UP TO MARCH 1974. HE SAID HE DID NOT SEE WHY GON SHOULD NOT TAKE THIS INTO ACCOUNT ESPECIALLY SINCE ESSENTIAL BASIS OF AGREEMENT IS FAIR AND EQUAL OPPORTUNITY FOR BOTH SIDES.

6. WALDMANN PROVIDED DUTCH DEL COPIES OF PAPER SHOWING WHAT US REGARDS AS REASONABLE CAPACITY TO BE OFFERED BY KLM. ZWANENBURG RESPONDED THAT WHAT US PROPOSED IS COMPLETE ABDICATION OF KLM'S RIGHTS TO TRANSIT TRAFFIC UNDER BILATERAL AGREEMENT. HE SAID THAT DUTCH SIDE HAD TRIED TO HAVE PRACTICAL DISCUSSIONS BUT THAT WHAT US HAS PRESENTED IS SO FAR FROM WHAT DUTCH CONSIDER AS PRACTICAL THAT HE REPEATED HE COULD NOT SEE ANY BASIS FOR CONTINUATION OF NEGOTIATIONS.

7. WALDMANN SAID THAT THERE SHOULD BE CONTINUED DISCUSSION ON PRACTICAL ASPECTS AND SUGGESTED ADJOURNMENT TO PERMIT DUTCH TO DEVELOP COMMENTS ON US PAPER. ZWANENBURG ACCEPTED SUGGESTION AND CALLED FOR RECONVENING AT 0930 OCT 24.

8. IN MEANTIME, WALDMANN AND DCM HAVE BEEN INVITED TO MEET WITH MINISTRY OF FOREIGN AFFAIRS STATE SECRETARY BRINKHORST AT 1700 HOURS THIS EVENING FOR DISCUSSIONS AT POLITICAL LEVEL.

9. COMMENT. DESPITE HARD STANCE TAKEN BY GON IN TALKS, ATMOSPHERE WAS CORDIAL AT DINNER HOSTED BY CIVIL AVIATION SERVICE (RLD) LAST NIGHT AND AT LUNCHEON GIVEN BY KLM TODAY. DINNER TOAST YESTERDAY WAS OCCASION FOR ZWANENBERG TO REFER JOKINGLY TO POSSIBLE LINKAGE OF CIVAIR TALKS AND STARFIGHTER REPLACEMENT. HE SAID THAT IF NETHERLANDS EVER HAD TO MAKE WAR ON US TO DEFEND FREEDOM OF AIR, "IT WOULD BE OUR VIGGINS AGAINST YOUR COBRAS" (REFERRING TO SWEDISH ENTRY IN FIGHTER PLANE SALES COMPETITION). THIS HAS BEEN ONLY OPEN LINKAGE MADE BY GON SO FAR DURING THESE TALKS. AT LUNCHEON TODAY, ATTENDED BY AMBASSADOR, DIRECTOR OF CIVIL AVIATION RABEN, US AND DUTCH DELS, AND REPRESENTATIVES FROM US AIRLINES (INCLUDING VICE PRESIDENT OF PAN AM), KLM PRESIDENT ORLANDINI AND HIS COLLEAGUES TOOK VERY REASONABLE ATTITUDES.

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